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October 4, 2004

Mary L. Cottrell, Secretary Department of Telecommunication and Energy One South Station, 2<sup>nd</sup> Floor Boston, MA 02202

Re:

Boston Edison Company, D.T.E. 04-68

Dear Secretary Cottrell:

Enclosed please find the responses of Boston Edison Company d/b/a NSTAR Electric ("Boston Edison") to discovery questions asked by the Attorney General and the Department of Telecommunications and Energy in the above-referenced proceeding, as listed on the following Discovery Log. Please note that certain documents that are responsive to these questions are confidential and are being filed under separate cover with the Attorney General and the Hearing Officer only.

Thank you for your attention to this matter.

Very truly yours,

Hank Habel

John K. Habib

**Enclosures** 

cc:

Service List

Joan Foster Evans, Hearing Officer (2)

Colleen McConnell, Assistant Attorney General (2)

# LOG OF RESPONSES FILED

# **D.T.E. 04-68**

# **October 4, 2004**

Response	Status	Attachments
DTE-1-1	Filed Herewith	Exhibits GOL-BEC-2 through 8 on CONFIDENTIAL CD-ROM
DTE-1-2	Filed Herewith	
DTE-1-3		
DTE-1-4	Filed Herewith	
DTE-1-5	Filed October 1, 2004	
DTE-1-6	Filed Herewith	Attachment DTE-1-6 CONFIDENTIAL CD-ROM
DTE-1-7	Filed Herewith	Attachment DTE-1-7 CONFIDENTIAL
DTE-1-8	Filed October 1, 2004	
DTE-1-9	Filed Sept. 28	
DTE-1-10	Filed October 1, 2004	Attachment DTE-1-10
DTE-1-11	Filed Herewith	Attachment DTE-11 CONFIDENTIAL CD-ROM
DTE-1-12	Filed October 1, 2004	
DTE-1-13	Filed October 1, 2004	
DTE-1-14	Filed Herewith	
DTE-1-15	Filed Sept. 28	
DTE-1-16	Filed Sept. 28	
DTE-1-17	Filed Sept. 28	
DTE-1-18	Filed Sept. 28	
DTE-1-19	Filed Sept. 28	
AG-1-1	Filed October 1, 2004	Attachments AG-1-1(A) through (Q) BULK
AG-1-2	Filed Sept. 28	Attachments AG-1-2 (a) through (g) each CONFIDENTIAL
AG-1-3	Filed Sept. 28	Attachments AG-1-3(a) and (b), each CONFIDENTIAL
AG-1-4	Filed Sept. 28	Attachment AG-1-4
AG-1-5	Filed Herewith	Attachments AG-1-5 (a) through (d), each CONFIDENTIAL Attachment AG-1-5 (e) CONFIDENTIAL CD-ROM
AG-1-6	Filed Sept. 28	
AG-1-7	Filed October 1, 2004	
AG-1-8	Filed Sept. 28	
AG-1-9	Filed Sept. 28	Attachment AG-1-9
AG-1-10	Filed Sept. 28	Attachment AG-1-10
AG-1-11	Filed Sept. 28	Attachments AG-1-11(a) and (b), each CONFIDENTIAL CD-ROM
AG-1-12	Filed Sept. 28	Attachment AG-1-12

Response	Status	Attachments							
AG-1-13	Filed Sept. 28	Attachment AG-1-13							
AG-1-14	Filed Sept. 28	Attachment AG-1-14 CONFIDENTIAL CD-ROM							
AG-1-15	Filed Sept. 28	Attachments AG-1-15(a) and (b) each CONFIDENTIAL CD-ROM							
AG-1-16	Filed Sept. 28								
AG-1-17	Filed Sept. 28								
AG-1-18	Filed Sept. 28								
AG-1 <b>-</b> 19	Filed Sept. 28	Attachment AG-1-19							
AG-1-20	Filed Sept. 28	Attachment AG-1-20							
AG-1-21	Filed Sept. 28								
AG-1-22	Filed Herewith	Attachment AG-1-22 CONFIDENTIAL CD-ROM							
AG-1-23	Filed Sept. 28								
AG-1-24	Filed Sept. 28								
AG-1-25	Filed Herewith								
AG-1-26	Filed Herewith	Attachment AG-1-26 CONFIDENTIAL CD-ROM							
AG-1-27	Filed Herewith								
AG-1-28	Filed Sept. 28								
AG-1-29	Filed Herewith								
AG-1-30	Filed Herewith	Attachment AG-1-30 CONFIDENTIAL							
AG-2-1	Filed Herewith	Attachment AG 2-1 BULK							
AG-2-2	Filed Sept. 28								
AG-2-3	Filed Sept. 28								
AG-2-4	Filed Sept. 28								
AG-2-5	Filed Sept. 28	Attachment AG-2-5 CONFIDENTIAL (CD-ROM)							
AG-2-6	Filed October 1, 2004								
AG-2-7	Filed Herewith	Attachments AG-2-7(A)and (B)							
AG-2-8	Filed Herewith	Attachments AG-2-8 (A), (B) and (C)							
AG-2-9	Filed Herewith	Attachments AG-2-9 (A) and (B)							
AG-2-10	Filed Herewith	Attachment AG-2-10							
AG-3-1									
AG-3-2									
AG-3-3									
AG-3-4									

Information Request: **DTE-1-1** 

October 4, 2004

Person Responsible: Geoffrey O. Lubbock

Page 1 of 1

# Information Request DTE-1-1

Please provide electronic copies of Exhs. NSTAR-BEC-GOL-2, NSTAR-BEC-GOL-3, NSTAR-BEC-GOL-4, NSTAR-BEC-GOL-5, NSTAR-BEC-GOL-6, NSTAR-BEC-GOL-7, and NSTAR-BEC-GOL-8 in Excel format with the formulas contained in the cells. Please provide electronic copies of any supporting workpapers and data for the above exhibits in Excel format with the formulas contained in the cells.

# Response

### CONFIDENTIAL MATERIALS ATTACHED

The requested electronic files are provided on the **CONFIDENTIAL CD-ROM** included with this filing.

Information Request: **DTE-1-2** 

October 4, 2004

Person Responsible: Geoffrey O. Lubbock

Page 1 of 2

# **Information Request DTE-1-2**

Refer to Exhibit NSTAR-GOL at 14, lines 4-8. Please explain the credit from the Standard Offer Service ("SOS") Supplier that results when the quantity that the Company must purchase to replace the Ocean State Power ("OSP") is higher than that forecast from the units. Please cite to Exhibits NSTAR-BEC-1A and NSTAR-BEC-1B, and describe how this credit functions. Please provide a hypothetical example of this process.

### Response

The credit for Standard Offer Service is related to the Company's contract with the SOS supplier rather than the Company's contract with OSP which appear in Exhibits NSTAR-BEC-GOL-1A and NSTAR-BEC-GOL-1B.

As discussed in Exhibit NSTAR-GOL, pages 13-14, NSTAR Electric has assigned the output from all its PPAs to the SOS Supplier for the period July - December 2004. Under the terms of the agreement with the SOS Supplier, section 4.3(e):

If a PPA Restructuring will materially adversely affect the PPA Products or the PPA entitlement thereto during the Delivery Term, then NSTAR Electric shall deliver a comparable replacement for the relevant PPA Product and the PPA Entitlement thereto. [...] For purposes of the foregoing, the historical monthly average shall be determined by averaging the quantity of Energy delivered under such PPA (adjusted for the current NSTAR Electric ownership/share entitlement percentage, if necessary) during the five year period that ended sixty (60) days prior to the PPA Restructuring date...

Thus, when the expected unit production is not available because of its termination, NSTAR Electric must pay for replacement power based on the five-year historical average production of the unit. The cost of the additional power acquired is offset by a credit for the market value of the additional power and the elimination of the gas layoff credit.

This impact can be seen by the differences between Exhibit NSTAR-BEC-GOL-5 and Exhibit NSTAR-BEC-GOL-6, on page 2 (NUG generation) and page 4 (Short term market). For example, in July, after the Company's entitlements under the OSP contract were assigned to TransCanada, the 31.073 GWH from the two OSP contracts (15.521 GWH on line 7 and 15.552 GWH on line 8 Exhibit NSTAR-BEC-GOL-5 page 2) are no

Information Request: DTE-1-2

October 4, 2004

Person Responsible: Geoffrey O. Lubbock

Page 2 of 2

longer available, reducing the 449.598 GWH total generation on line 10. Instead, the Company must replace it at a higher level based on a five-year average generation of 46.476 GWH as shown on Exhibit NSTAR-GOL-BEC-6, page 2, line 8) reflected in the increase in the total balance of 465.001 GWH shown on line 10. This is an increase of 15.403 GWH (465.001 GWH less 449.598 GWH). The financial impact of the change is shown on page 4 of each schedule. The NUG generation shown on line 10 of page 2 carries to the line labeled "short term sales" on line 9 of page 4. This is because this generation is sold to the SOS Supplier. (Line 9 on page 4 of Exhibit NSTAR-BEC-GOL-6 should have been shaded from July onwards to indicate this change, and we apologize for this oversight). Line 9 is multiplied by line 11 "ST Sales Price /MWH" to derive line 1 "Short Term SO-Sales". Thus, the increase of 15.403 GWH as indicated previously results in an increase in revenues of \$732 thousand at the SOS purchase price of \$47.55 \$/MWH shown on line 11. The Short Term SO-Sales of \$21.378 million on Exhibit NSTAR-BEC-GOL-5, page 4, line 1, for July increases by the \$732 thousand to arrive at the \$22.111 million on Exhibit NSTAR-BEC-GOL-6, page 4, line 1, for July. The elimination of the gas layoff credit can be seen on Exhibit NSTAR-BEC-GOL-6, page 4, line 1a where the layoff cost of \$793 thousand in the base case is eliminated in July.

Information Request: **DTE-1-4** 

October 4, 2004

Person Responsible: Robert B. Hevert/Geoffrey O. Lubbock

Page 1 of 1

# **Information Request DTE-1-4**

Refer to Exhibit NSTAR-GOL at 16. Please discuss the impact of gas layoff practices to the OSP Unit costs for the period July 2004 - December 2004.

# Response

Please refer to the Company's responses to Information Request AG-1-14, Attachment AG-1-15 (a) (CONFIDENTIAL CD-ROM), and Information Request AG-1-17 for a discussion of the impact of gas layoff practices on the OSP unit costs. Revenues from gas layoff transactions are credited to the monthly capacity charge.

Department of Telecommunications and Energy

D.T.E. 04-68

Information Request: DTE-1-5

October 1, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# **Information Request DTE-1-5**

Refer to Exh. NSTAR-RBH at 29, lines 10-15. Please provide the calculations, both in hard copy and in a working Excel spreadsheet with formulas intact, for the "series of analyses (that CEA performed) under different power and fuel price scenarios," which "found that the proposed transaction continued to result in a reduction of the above-market costs of these contracts," and shows that the proposed transaction is likely to result in almost six percent reduction in the above-market costs."

# Response

Please refer to the Attachment AG-1-14 (CONFIDENTIAL CD-ROM) for the calculations that show that the proposed transaction is likely to result in over six percent reduction in the above-market costs. Also, please refer Attachment AG-1-11(a) (CONFIDENTIAL CD-ROM) for the calculation of savings under a 10 percent decrease in energy and fuel prices, and Attachment AG-1-11(b) (CONFIDENTIAL CD-ROM) for the calculation of an increase of 10 percent in energy and fuel prices. Please refer to the table below for a comparison of the recalculated savings amounts under these scenarios with the original filing.

	Total PV of Above Market Amount	Reduction in Above Market
Original Filing	\$(128,002)	6.25%
10 % Decrease	\$(129,748)	7.52%
10 % Increase	\$(126,255)	4.96%

Information Request: DTE-1-6

October 4, 2004

Person Responsible: Geoffrey O. Lubbock/Robert B. Hevert

Page 1 of 1

# Information Request DTE-1-6

Refer to Exh. NSTAR-RBH at 18, lines 9-11. Please explain how TransCanada was involved in the auction process. Provide copies of all communication between CEA, NSTAR and TransCanada relating to the auction and the termination or buy down of the OSP contracts.

# Response

TransCanada was among the approximately 90 parties that received the Early Interest Letter during fall of 2003 (please see Exhibit NSTAR-RBH, page 10 lines 11-16), and among the 25 bidders that executed the Confidentiality Agreement (Exhibit NSTAR-RBH, page14, lines 2-6). Please see Response AG-1-2 **CONFIDENTIAL** for copies of the TransCanada bids, and Attachment DTE-1-6 **CONFIDENTIAL CD-ROM** for a copy of communications among CEA, NSTAR and TransCanada.

Department of Telecommunications and Energy

D.T.E. 04-68

Information Request: **DTE-1-7** 

October 4, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# **Information Request DTE-1-7**

Refer to Exh. NSTAR-RHB at 20. Please identify the "significant number of additional due diligence items" as well as the "series of internal accounting issues" that would account for Bidder A's bid "requiring several weeks to resolve." Please submit all notes and correspondences, concerned with the "series of meetings and conference calls with Bidders A and B."

# Response

#### **CONFIDENTIAL ATTACHMENT**

As noted in the correspondence and notes included in Attachment DTE-1-7 CONFIDENTIAL, Bidder A identified general concerns with respect to accounting treatment, tax issues and credit issues associated with the transaction. In particular, Bidder A noted that the accounting implications associated with the use of mark-to-market, hedge or accrual-based accounting methods were complex and the consequences for its overall earnings volatility were uncertain. Bidder A noted that it was addressing cash flow hedge accounting issues and that obtaining such accounting treatment was a "necessary hurdle" to be able to offer a more competitive bid to the Company. As discussed in Exhibit NSTAR-RBH at 20, Bidder A was not able to resolve those issues and withdrew from the auction process. As noted in Exhibit NSTAR-RBH at 19, Bidder B specifically excluded the OSP contracts from its bid.

Information Request: DTE-1-8

October 1, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

### **Information Request DTE-1-8**

Refer to Exh. NSTAR-RBH-6, pages 1-5. Please provide a working electronic copy in Excel format with the formulas contained in the cells as well as all supporting documentation.

### Response

Please refer to Attachment AG-1-14 (CONFIDENTIAL CD-ROM) for the working electronic copy of Exhibit NSTAR-RBH-6, pages 1-5.

Department of Telecommunications and Energy

D.T.E. 04-68

Information Request: DTE-1-10

October 1, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# Information Request DTE-1-10

Refer to Exh. NSTAR-RBH at 21 and 22, lines 10 and 6-9, respectively. Please provide in Excel Format the re-pricing scenarios submitted by Bidder A and Bidder B as well as the "counterparty" bids "disaggregate(d)...into several components that would allow for a side-by-side comparison of bids" showing that the "TransCanada bid was the lowest viable bid."

# Response

Please refer to Attachment AG-1-2 (CONFIDENTIAL) for copies of the OSP bids, including: (1) Bidder A's non-binding portfolio bid and non-binding disaggregated bids; (2) Bidder B's non-binding disaggregated portfolio bid (which specifically excluded OSP); (3) Bidder C's non-binding disaggregated portfolio bids and; (4) Bidder D's OSP-only bid. Please also refer to Attachment DTE-1-10 for an Excel spreadsheet providing the disaggregated bids that were received.

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4 4 0 10 : 4	1 and 2 bid		OSB 2	7 700	(000,000)	(020,000)	(000,000)	(760,000)	(330,000)	(040,000)	(330,000)	(10,000)		(\$30,000,000)	(000,000,00%)								
Bidder D Initial OSB 1 1 0 B	Monthly Payments	ornery aginetics	OSP 1	(1,000,000)	(1,000,000)	(000,000)	(000,077)	(830,000)	(920,000)	(320,000)	(410,000)	(110,000)		I'n Front I umn Sum (\$30,000,000)	Tour Turney Sum								
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1 and 2 Bid	S		OSP 2	1		(1,250,000)	(1 280 000)	_	_	_	_								-				
Bidder C OSP 1 and 2 Bid	Monthly Payments		OSP 1	\$ (1290,000) \$	(1 310 000)	_	_	_	(1.440.000)	(1.480.000)		):											
and Break-out		Portfolio	excluding OSP	19.392.375		18,692,716	19,446,185	19,858,242	20,572,910	21,683,117	20,027,329	12,762,627	12,936,704	8,889,258	8,813,516	6,594,882	1,446,757	620,147	619,751	352,459	351,916	352,847	93,749
sed Portfolio a		Complete	Portfolio e	20,756,915 \$	19,002,254	20,124,486	20,870,914	21,274,139 \$	21,975,268	23,067,501 \$	20,466,155 \$	12,762,627 \$	12,936,704 \$	8,889,258 \$	8,813,516 \$	6,594,882 \$	1,446,757 \$	620,147 \$	619,751 \$	352,459 \$	351,916 \$	352,847 \$	93,749 \$
Bidder A Revised Portfolio	Monthly Payments		Year	2004 \$	2005	2006	2007	2008	2009	2010 \$	2011 \$	2012	2013	2014 \$	2015	2016 \$	2017 \$	2018	2019	2020	2021	2022	2023
_				·					_														
l Portfolio Bic	ts	Complete	Portfolio	16,093,267	19,442,836	20,556,448	21,302,617	21,707,015	22,394,608	23,490,265	20,863,347	13,056,099	13,226,862	9,098,662	9,024,504	6,751,357	1,475,988	628,840	628,474	361,238	360,740	361,594	669'96
Bidder A Initial Portfolio Bid	Monthly Payments		Year	2004 \$	2005 \$	\$ 2000	2007 \$	2008	2009	2010 \$	2011 \$	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$

NOTE: Bidder B did not provide a bid for the OSP contracts

Information Request: DTE-1-11

October 4, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# <u>Information Request DTE-1-11</u>

Refer to Exh. NSTAR-RBH at 18, lines 16-18. Please provide the analysis that CEA performed that "separately valued each PPA Entitlement to determine the total cost for the energy and capacity over the term of the agreement."

# Response

Please see Attachment DTE-1-11 (CONFIDENTIAL CD-ROM), for the spreadsheet that "separately valued each PPA Entitlement to determine the total cost for the energy and capacity over the term of the agreement

Department of Telecommunications and Energy

D.T.E. 04-68

Information Request: DTE-1-12

October 1, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# **Information Request DTE-1-12**

Refer to Exh. NSTAR-RBH-5. Please provide a working electronic copy in Excel format with the formulas contained in the cells as well as all supporting documentation.

# Response

Please refer to Attachment AG-1-3(a) (CONFIDENTIAL) for a working electronic copy of NSTAR-RBH-5 and the Attachment AG-1-2 (CONFIDENTIAL) for the bids supporting this Exhibit. Please note that Attachment AG-1-3(a) (CONFIDENTIAL) includes a revised version of NSTAR-RBH-5, which now includes Bidder C's OSP bid.

Department of Telecommunications and Energy

D.T.E. 04-68

Information Request: DTE-1-13

October 1, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# **Information Request DTE-1-13**

Refer to Exh. NSTAR-RBH at 16-17, lines 16-6, which refers to two pricing options included in the PPA Entitlement Bid Form. Please confirm which pricing option NSTAR used in its D.T.E. 04-68 calculations, and explain why the Companies chose that particular pricing option. Provide prices bid by Bidder B, C, and D under both options.

# Response

NSTAR Electric used pricing option 1 for the calculations used in D.T.E. 04-68. This pricing option was used because the OSP PPA Entitlements include both energy and capacity pricing components. Please refer to the response Information Request AG-1-2, Attachment AG-1-2 (CONFIDENTIAL) for copies of the OSP bids.

Information Request: DTE-1-14

October 4, 2004

Person Responsible: Robert B. Hevert/ Geoffrey O. Lubbock

Page 1 of 1

# Information Request DTE-1-14

Refer to Exh. NSTAR-RBH at 25, which identifies the key assumptions used by the Companies to value the OSP contracts. Please provide the following information on those key assumptions:

- (1) the basis or reference for market price and energy and capacity;
- (2) the basis or reference for projected energy production;
- (3) the basis or reference for the discount rate of 7.82 percent.

# Response

- (1) Please refer to the Company's response to Information Request AG-1-26 (CONFIDENTIAL CD-ROM).
- (2) Please refer to the Company's response to Information Request AG-1-14 (CONFIDENTIAL CD-ROM).
- (3) Please refer to the Company's response to Information Request AG-1-8.

Department of Telecommunications and Energy

D.T.E. 04-68

Information Request: AG-1-1

October 1, 2004

Person Responsible: Geoffrey O. Lubbock

Page 1 of 2

# Information Request AG-1-1

Please identify and list all contracts, agreements, letters of understanding and amendments thereto between the Company and the owners of the Ocean State Power generating facility since its inception. Please also provide copies of all such documents.

# Response

#### **BULK ATTACHMENTS**

Please refer to Exhibit NSTAR-BEC-GOL-1A for the Unit Power Agreement dated 12/31/85 and all Amendments for Ocean State Power I and to Exhibit NSTAR-BEC-GOL-1B for the Unit Power Agreement and all Amendments for Ocean State Power II.

Please refer to the following Attachments for the requested data:

Attachment AG-1-1 (A)	Consent and Agreement – OSP I, dated April 17, 1991.
Attachment AG-1-1 (B) April 17, 1991.	Site Restoration Trust Agreement - OSP I, Dated
Attachment AG-1-1 (C) September 30, 1991.	Consent And Agreement - OSP II, dated
Attachment AG-1-1 (D) September 30, 1991.	Site Restoration Trust Agreement - OSP II, dated
Attachment AG-1-1 (E) January 2, 1991.	Sale of Excess Natural Gas Volumes - OSP I, dated
Attachment AG-1-1 (F)	Optimization Agreement – OSP I, dated January 31, 1997.
Attachment AG-1-1 (G) January 31, 1997.	Optimization Agreement – OSP II, dated
Attachment AG-1-1 (H) March 2, 1998.	Optimization Agreement Extension - OSP I, dated
Attachment AG-1-1 (I) March 2, 1998.	Optimization Agreement Extension - OSP II, dated

Information Request: AG-1-1
October 1, 2004

Person Responsible: Geoffrey O. Lubbock

Page 2 of 2

Attachment AG-1-1 (J) July 20, 1994.	Consent of Power Purchaser - OSP I and II, dated
Attachment AG-1-1 (K) June 30, 1997.	NEPOOL Power Sale Agreement - OSP I, dated
Attachment AG-1-1 (L) June 30, 1997.	NEPOOL Power Sale Agreement - OSP II, dated
Attachment AG-1-1 (M)	Agency Agreement – OSP I, dated June 30, 1997.
Attachment AG-1-1 (N)	Agency Agreement – OSP II, dated June 30, 1997.
Attachment AG-1-1 (O) July 12, 1996.	FERC Settlement Agreement - OSP I and II, dated
Attachment AG-1-1 (P) June 19, 1998.	FERC Settlement Agreement - OSP I and II, dated
Attachment AG-1-1 (Q) July 29, 2000.	FERC Settlement Agreement - OSP I and II, dated

Information Request: AG-1-5

October 4, 2004

Person Responsible: Geoffrey O. Lubbock

Page 1 of 1

# Information Request AG-1-5

Please indicate whether there were any bids in the 1999-2000 Initial Auction on either or both of the Ocean State Power contracts. If so, please provide copies of those bids along with all analyses of each bid done by and/or for the Company.

### Response

#### **CONFIDENTIAL ATTACHMENTS**

In the 1999 auction, the Company received four bids that included the Ocean State Power contracts, three portfolio bids and one bid specific to Ocean State Power. Please see Attachment AG-1-5(a) (CONFIDENTIAL), Attachment AG-1-5(b) (CONFIDENTIAL), Attachment AG-1-5(c) (CONFIDENTIAL), and Attachment AG-1-5(d) (CONFIDENTIAL) for copies of bids. Please see Attachment AG-1-5(e) (CONFIDENTIAL CD-ROM)(BULK) for analyses of each bid, as performed by Navigant Consulting.

Information Request: AG-1-7

October 1, 2004

Person Responsible: Counsel

Page 1 of 1

# Information Request AG-1-7

Please indicate whether any of the attorneys of Keegan, Werlin and Pabian have provided or is providing services to TransCanada.

# Response

The Company objects to this request insofar as it seeks information that is not relevant to the Department's determination in this proceeding. Whether attorneys from Keegan, Werlin & Pabian, LLP ("KWP") are providing or have provided legal services to TransCanada is not material to the disposition of the case and/or the extent to which the Company's proposal maximizes the mitigation of transition costs associated with the OSP power-purchase agreement.

Without waiving the above-stated objection, no attorneys at KWP are presently engaged or have been engaged to provide legal services to TransCanada.

Information Request: AG-1-22

October 4, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# Information Request AG-1-22

Referring to Exhibit NSTAR-RBH-6, page 3, Column "Total Fixed Capacity Costs," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the Total Fixed Capacity Costs amounts shown for each year along with citations to the power agreement where applicable.

### Response

Please refer to Attachment AG-1-14 (CONFIDENTIAL CD-ROM), worksheet, OSP2, row 17, cell Q75, and row 135, and the files listed below for the workpapers, calculations, formulas, assumptions, and supporting documentation for the "Total Fixed Capacity Costs" shown for each year of the OSP 2 contract. In addition, refer to Attachment AG-1-15(a) (CONFIDENTIAL CD-ROM), OSP 2 worksheet beginning with cell P193 and Attachment AG-1-22 beginning with cell X12 (CONFIDENTIAL CD-ROM). The Total Fixed Capacity Costs are described in the power agreement in article seven, sections three through seven, Monthly Capacity Charge.

The projected costs for 2004, except for commodity cost, were based on the data in Attachment AG-1-15(b) (CONFIDENTIAL CD-ROM). The commodity cost for 2004 and other costs for the years 2005 and beyond are derived from Attachment AG-1-15(a) (CONFIDENTIAL CD-ROM). Please note that in Exhibit NSTAR-RBH-6, the capacity costs are reduced by the "Gas Layoff Credit to Demand Charges". See also response Information Request AG-1-24.

D.T.E. 04-68

Information Request: AG-1-25

October 4, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# **Information Request AG-1-25**

Referring to Exhibit NSTAR-RBH-6, page 3, Column "TOTAL Operating Costs," please provide the workpapers, calculations, formulas, assumptions, and supporting documentation for the TOTAL Operating Costs amounts shown for each year along with citations to the power agreement where applicable.

# Response

Please refer to Attachment AG-1-14 (CONFIDENTIAL CD-ROM) and Attachment AG-1-15(a) (CONFIDENTIAL CD-ROM) for the workpapers, calculations, formulas, assumptions, and supporting documentation for the "Total Operating Costs" shown for each year of the OSP 2 contract. The Total Operating Costs shown for years 2005 through 2011 are a sum of the Total Fixed Capacity Costs, the Total Commodity Changes, and the Gas Layoff Credit Demand Changes. The Total Operating Costs for 2004 is the sum of the three columns listed above for the nine months April through December.

Department of Telecommunications and Energy

D.T.E. 04-68

Information Request: AG-1-26

October 4, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# Information Request AG-1-26

Referring to Exhibit NSTAR-RBH-6, page 4, please provide a complete copy of the Fall 2003 Henwood Energy Services Inc.'s Northeast Electricity and Gas Price Outlook. Please also provide the date that the Fall 2003 Henwood Energy Services Inc.'s Northeast Electricity and Gas Price Outlook was issued.

# Response

The Henwood Northeast Electric and Gas Price Forecast was used to develop Exhibit NSTAR-RBH-6. Please refer to Attachment AG-1-26 (CONFIDENTIAL CD-ROM) for the pricing data used in this exhibit.

# November Henwood Price forecast:

- Fall 2003 Northeast Monthly MCP dmf
- Fall 2003 Northeast Monthly Natural Gas Price
- Fall 2003 Northeast Retainer Additional Fuel Data

#### March Henwood Price Forecast

NE RefCase Short Term Update with Jan04Gas1

# May Henwood Price Forecast

- Northeast Short Term Forecast Appendix\_May 2004
- Northeast Short Term Forecast OilCoal Prices May 2004

Please also refer to Attachment AG-1-2 (CONFIDENTIAL CD-ROM) in D.T.E. 04-60.

The Henwood Forecast was issued to the Company on November 16, 2003.

Information Request: AG-1-27

October 4, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# **Information Request AG-1-27**

Referring to Exhibit NSTAR-RBH-6, page 4, please provide a complete copy of the May 2004 update to the Fall 2003 Henwood Energy Services Inc.'s Northeast Electricity and Gas Price Outlook.

# Response

Please refer to Attachment AG-1-26 (CONFIDENTIAL CD-ROM) for a complete copy of the May 2004 update to the Fall 2003 Henwood Energy Services Inc.'s Northeast Electricity and Gas Price Outlook. The information was also filed as Exh. AG-1-2 (CONFIDENTIAL CD-ROM) in D.T.E. 04-60.

Information Request: AG-1-29

October 4, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# Information Request AG-1-29

Referring to Exhibit NSTAR-RBH-6, page 4, please provide citations to the Henwood Energy Service Inc.'s Northeast Electricity and Gas Price Outlook for each of the numbers on that page. To the extent that they are not directly shown in the Henwood document, please provide the additional workpapers, calculations, formulas, assumptions, and supporting documentation used to derive those numbers.

# Response

Please refer to Attachment AG-1-26 (CONFIDENTIAL CD-ROM) for a complete copy of the Henwood Energy Service Inc.'s Northeast Electricity and Gas Price Outlook.

For the 2004 through 2006 power and gas prices shown on Exhibit NSTAR-RBH-6, page 4, please refer to the Attachment AG-1-26 file named Northeast Short Term Forecast Appendix \_ May 2004. The power prices may be found in the worksheet Market Clearing Prices, beginning with cell F31. These SEMA-RI power prices may be found in Attachment AG-1-14, on the worksheet, Escalators, beginning in cell G29. The power prices referred to above are escalated by 2.35 percent annually beginning in cell H29. The gas prices may be found in the same file, Northeast Short Term Forecast Appendix \_ May 2004, in the worksheet Gas Prices, beginning with cell D7. These gas prices may be found in Attachment AG-1-14, on worksheet, Escalators, in cell R29. The gas prices referred to above are escalated by 2.35 percent annually beginning in cell S29.

For the 2007 through 2011 power prices shown on Exhibit NSTAR-RBH-6, page 4, please refer to the Attachment AG-1-26 file named *Fall 2003 Northeast Monthly Prices*, in worksheet *NE-SEMARI*, beginning with cell P21. These SEMA-RI power prices may be found in Attachment AG-1-14, on the worksheet, *Escalators*, beginning in cell G61. The power prices referred to above are escalated by 2.35 percent annually beginning in cell H61.

For the 2007 through 2011 gas prices shown on Exhibit NSTAR-RBH-6, page 4, please refer to the Attachment AG-1-26 file named Fall 2003 Northeast Monthly Natural Gas Price, worksheet HH, beginning with cell P11. These gas prices may be found in Attachment AG-1-14, on worksheet, Escalators, in cell R61. The gas prices referred to above are escalated by 2.35 percent annually beginning in cell S61.

Department of Telecommunications and Energy

D.T.E. 04-68

Information Request: AG-1-30

October 4, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# Information Request AG-1-30

Referring to Exhibits NSTAR-RBH-5, and NSTAR-RBH-6, please recalculate the amounts shown on those exhibits, changing only the costs and prices so that they are fixed at the most recent numbers for the entire period.

### Response

# **CONFIDENTIAL ATTACHMENT**

Please refer to Attachment AG-1-30 (CONFIDENTIAL), for a revised version of Exhibit NSTAR-RBH-6 using the most recent prices for the entire period of the analysis. Consistent with the Exhibit AG-2-4 (CONFIDENTIAL) in D.T.E. 04-60, changing the Henwood Louisiana Spot gas forecast in Exhibit NSTAR-RBH-6 to the most recent NYMEX gas forwards for October 2004 would increase the percent savings from 6.25 percent to 22.36 percent. The currently prevailing gas price that was utilized is shown in the table below.

Fuel	Source	Price (\$)
Gas	NYMEX Gas Futures (HH)	\$5.608/mmbtu

For ease of review, the Attachment is also being provided on a **CONFIDENTIAL CD-ROM**.

Information Request: AG-2-1

October 4, 2004

Person Responsible: Robert B. Hevert/Counsel

Page 1 of 1

# **Information Request AG-2-1**

Referring to Exhibit NSTAR-RBH, pages 1 through 4, please provide copies of all generation asset financial valuations done by Mr. Hevert and / or the members of Concentric Energy Advisors, Inc. Please also provide copies of all testimony associated with those valuations.

### Response

NSTAR Electric objects to this question because the request is overbroad, unduly burdensome, requests information that is not relevant to this proceeding and requests disclosure of confidential information that is privileged or proprietary to entities that are not parties to this case or in any way connected to this case. Mr. Hevert and members of CEA have advised numerous clients relating to valuing generation assets and it would be unduly burdensome for it to search all of its files to locate responsive documents, research confidentiality requirements and contact present and former clients to notify them that such confidential and proprietary information has been requested. Moreover, some of the material has been produced at the request of counsel and may be covered by the attorney-client privilege. In any event, the information sought has no relevance to this proceeding since it would involve other generation assets at other times. Whatever possible relevance there could be would be significantly outweighed by (1) the burden and cost that would need to be expended to locate the material and coordinate with other clients and (2) the potential harm that would occur if the confidential and proprietary materials were disclosed.

Notwithstanding this objection, Attachment AG-2-1 **BULK** is the testimony and supporting valuations prepared by Mr. Hevert relating to Docket No. EO 03020091, Atlantic City Electric Value of Fossil Generation, and the Verified Petition of Niagara Mohawk Power Corporation. Also included in Attachment AG-2-1 is the direct and rebuttal testimony of John J. Reed in Cause No. 41746 on behalf of Northern Indiana Public Service Company relating to the fair market valuation of generation assets.

Information Request: AG-2-6

October 1, 2004

Person Responsible: Robert B. Hevert

Page 1 of 1

# **Information Request AG-2-6**

Please provide the workpapers, calculations, formulas, assumptions, and supporting documentation used to determine the depreciation expense for each of the units.

# Response

The projected depreciation expense is based on proforma amounts provided in the OSP budget (<u>see</u> response to Information Request AG-1-15, Attachment AG-1-15(a) (CONFIDENTIAL CD-ROM). Please refer to Article 7.4 of the Unit Power Agreement provided in Exhibit NSTAR-BEC-GOL-1 for the Seller's obligation to provide projects of capacity charges, fuel costs and generation.) In the case of depreciation expenses, please see Attachment AG-1-15(a) (CONFIDENTIAL CD-ROM), worksheet "OSP1 and OSP2", page 1 of 16, for the basis of the projected depreciation expense, and page 11 of the respective "OSP-1" and "OSP-2" worksheets for the depreciation expense projections.

As with all other components of the capacity and energy charges, the budgeted depreciation expense was compared to the terms of the PPA agreement (See article 7.3 for the defined calculation of the monthly capacity charge), to recent invoice amounts and in certain cases, to underlying source documents. In addition, CEA discussed the reasonableness of various forecast assumptions with the Company. As a result, certain cost projections, such as operating and maintenance expenses, and fuel commodity costs were adjusted to reflect reduced expense expectations and updated fuel commodity prices, respectively. Other items, such as site restoration expenses, were confirmed by reviewing source documents. (See response to Information Request AG-2-8.) addition, the budgeted capacity costs were reduced by projected gas layoff credits, which were not included in the OSP budget. (See responses to Information Request AG-1-17 and Information Request AG-1-23.) Similarly, projected generation amounts (and the corresponding energy charge) were adjusted to reflect recent capacity factors and performance. Consequently, while the OSP budget served as the basis for the projected capacity and energy charges, it did not serve as the sole source of the contract cost forecasts. Specifically for Depreciation, the Company checked OSP's forecast of depreciation expense against historical levels as reported by OSP in their FERC Form 1 to verify the reasonableness of their forecast.

D.T.E. 04-68

Information Request: AG-2-10

October 4, 2004

Person Responsible: Geoffrey O. Lubbock

Page 1 of 1

# <u>Information Request AG-2-10</u>

Please provide the history of each unit's heat rate for each month of operation since their original start date.

# Response

Please see Attachment AG-2-10 for the requested information.

Monthly Net Heat Rate - Ocean State Power Unit 1

Nov Dec	8,538	8,464 8,545 8,347 8,488 8,533 8,543	8,509	9,133	8,646	8,236	8,846	8,614	8,810	8,779	8,285	
Sep Oct	8,291	8,637	8,842	8,595	8,686	8,287	8,847	8,666	8,554	8,597	8,091	
Jul Aug		8,617 8,513 8,528 8,527										
y		8,551 8,570 8,804 8,428										
Apr May	8,437 8 8,462 8											
b Mar	3,466 8,448 3,487 8,293		-		~	~		~			~	
Jan Feb	8,476 8 8,506 8		~	~	~	~	~	~	~	~	~	~
Year	1990 1991 1992	1993 1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004

Monthly Net Heat Rate - Ocean State Power Unit 2

/ Dec	8,224 8,336 8,492 8,443 8,618 8,77 8,629 8,674 8,625 8,574 8,625 8,654 8,352 8,388 8,851 8,659 8,552 8,838 8,552 8,837 8,632 8,683 8,574 9,636
Oct Nov	8,635 8,341 8,590 8,709 8,709 8,731 8,731 8,783 8,550 8,654 8,654 8,654 8,634
Sep	8,510 8,574 8,617 9,572 8,740 8,298 8,432 8,633 8,675 8,552 9,719
Aug	8,419 8,352 8,523 8,623 8,169 8,935 8,935 8,393 8,393 8,393
Jul	8,497 8,602 8,648 8,363 8,278 8,727 8,661 8,882 8,706 8,706
Jun	8,522 8,598 8,602 8,573 8,573 8,529 8,531 8,531 8,634 8,531 8,531 8,531
May	8,475 8,615 8,572 8,676 8,679 8,579 8,467 8,378 8,378 8,930 11,230
Apr	8,380 8,454 8,456 8,584 9,613 9,613 8,232 8,487 8,883 8,995 20,960 8,703
Mar	8,701 8,438 8,612 8,704 8,539 8,887 8,372 8,598 8,727 8,727 10,494
Feb	8,394 8,411 8,492 8,823 8,709 8,551 8,731 8,736 8,736 8,736 8,736
Jan	8,334 8,430 8,743 8,605 8,605 8,427 8,702 8,702 8,702 8,884 8,721 8,884 8,788
Year	1990 1991 1992 1993 1995 1996 1998 2000 2001 2002 2003

Did not begin until Nov. 1991